

RECOVERY REBATES

The examples below illustrate how lower-income and middle-income American families will benefit from the recovery rebates included in the economic stimulus package. Each of the examples below assumes that the taxpayer in question takes all available personal exemptions, claims the standard deduction, and does not claim any nonrefundable tax credits (other than the child tax credit).¹

MARRIED WITH CHILDREN

1. Married couple with two children, earned income of \$4,000, no federal income tax liability.
 - Individual rebate: \$600
 - Child rebate: \$600

\$1,200

2. Married couple with two children, AGI = \$33,000, net federal income tax liability is approximately \$900.
 - Individual rebate: \$900
 - Child rebate: \$600

\$1,450

3. Married couple with two children, AGI = \$37,000, net federal income tax liability in excess of \$1,200.
 - Individual rebate: \$1,200
 - Child rebate: \$600

\$1,800

4. Married couple with two children, AGI = \$160,000, net federal income tax liability in excess of \$1,200.
 - Individual rebate: \$1,200
 - Child rebate: \$600
 - Phaseout reduction: (\$500) [5% x (\$160,000-\$150,000) = \$500]

\$1,300

¹Recovery rebates are calculated based on net tax liability (prior to taking into account the current law child tax credit and the earned income tax credit).

HEAD OF HOUSEHOLD WITH CHILDREN

1. Single parent with two children, earned income of \$4,000, no federal income tax liability.
 - Individual rebate: \$300
 - Child rebate: \$600
 - \$900

2. Single parent with two children, AGI = \$20,000, net federal income tax liability is approximately \$450.
 - Individual rebate: \$450
 - Child rebate: \$600
 - \$1,035

3. Single parent with two children, AGI = \$38,000, federal income tax paid is in excess of \$600.
 - Individual rebate: \$600
 - Child rebate: \$600
 - \$1,200

4. Single parent with two children, AGI = \$90,000, federal income tax paid is in excess of \$600.
 - Individual rebate: \$600
 - Child rebate: \$600
 - Phaseout reduction: (\$750) $[5\% \times (\$90,000 - \$75,000) = \$750]$
 - \$450

MARRIED, NO CHILDREN

1. Married couple with no children, earned income of \$4,000, no federal income tax liability.
 - Individual rebate: \$600

2. Married couple with no children, AGI = \$20,000, net federal income tax liability is approximately \$250.
 - Individual rebate: \$600

3. Married couple with no children, AGI = \$25,000, net federal income tax liability is approximately \$700
 - Individual rebate: \$700

4. Married couple with no children, AGI = \$30,000, net federal income tax liability is in excess of \$1,200.
 - Individual rebate: \$1,200

5. Married couple with no children, AGI = \$160,000, net federal income tax liability is in excess of \$1,200

- Individual rebate: \$1,200
- Phaseout reduction: $\frac{(\$500)}{\$700}$ $[5\% \times (\$160,000 - \$150,000) = \$500]$

SINGLE, NO CHILDREN

1. Individual with no children, earned income of \$4,000, no federal income tax liability.
 - Individual rebate: \$300
2. Individual with no children, AGI = \$10,000, net federal income tax liability is approximately \$100.
 - Individual rebate: \$300
3. Individual with no children, AGI = \$16,000, net federal income tax liability is in excess of \$600.
 - Individual rebate: \$600
4. Individual with AGI = \$80,000, net federal income tax liability is in excess of \$600.
 - Individual rebate: \$600
 - Phaseout reduction: $\frac{(\$250)}{\$350}$ $[5\% \times (\$80,000 - \$75,000) = \$250]$